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ADAM SMITH AS THE FOUNDER OF POLITICAL ECONOMY (РОЛЬ АДАМА СМИТА В РАЗВИТИИ ЭКОНОМИЧЕСКОЙ НАУКИ)

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Adam Smith's ideas continue being absolutely actual because he was the first to determine that the task of political economy as a science is of two kinds: first, abstract analysis of the objective economic reality and, as the result of two analysis, getting a set of recommendations for functioning of economic policy concerning firms and the nation as a whole. The setting up of direct interdependence of labour value and the reward for the work done remains also one of the actual problems formulated by the scientist. Adam Smith made a valuable contribution to economic science development as well as progressive social ideas in the world, particularly in European countries, and Ukraine is among them.

Adam Smith is a representative of classic political economy. He was born in 1723 in Scotland in the family of customs official. He began his education at the University of Glasgow when he was 14, and three years later began studies at Oxford, where he stayed for 6 years, from 1740 to 1746. In 1752 he became professor of logic and then moral philosophy at Glasgow. At the same time he lectured the course of political economy. In 1764 Adam Smith went to France and stayed there for 2 years. There he came to know physiocrats F. Quesnay, A. Turgot, as well philosopher Voltaire. They of course influenced greatly his world outlook. Social and political changes as well as economic development which took place in Europe in the XVIII century proved the progress of market production and formation of stable exchange relations.

In 1758 Adam Smith published his first book "The Theory of Moral Sentiments" devoted to philosophical problems of epoch of Enlightenment. In the period of 1767 – 1776 Adam Smith worked and completed his main work on political economy "The Wealth of Nations". The book consists of 5 parts. The first part studies the problems of value and income allocation as well as forming of the market economic system. In the second part he considers the essence of capital and its accumulation. The third is about economic history of Western Europe under feudalism and the beginning of capitalism formation. In the fourth part Smith analyses the ideas of mercantilists and finally, in the fifth and the last, the author considers problems of state finances and economic role of the government. The ideology of the whole work is the thought that rational economic life organization in the society goes on independently of its residents will, but is the result of the freedom of their activity and the government non-interference into the economy [3].

The basic idea of Adam Smith's teaching was that economic laws work uncontrollably and they define society's development. As to Adam Smith, the most important factor of economic progress is division of labour. As an example he took a factory producing pins and formulated the thesis: "Productive labour should be made even more productive by deepening the division of labour" [4]. The deeper is division of labour, the more intensive exchange is. For this prominent scientist labour, therefore, is the main factor, defining the value of material wealth.

Particular attention in the works by Adam Smith is given to investigation the nature of value. Adam Smith believed that it was defined by both a measure of labour materialized in commodity and the bought labour. Value is divided into 3 parts: the first compensates expenses on raw materials and tools; the second returns workers' wages and the third compensates the so called "super value". Also Smith showed difference

between *surplus (exchange) value* as the ownership of particular commodity and *use value* as the utility of any subject [1].

Due to Adam Smith, the amount of wages is determined by an agreement between a worker and a capitalist. Workers aim to get more and capitalists want to give less. But employers need workers less than workers need them, and this brings the decrease of payments. But the living wage must be sufficient to satisfy basic needs.

Average wages grow together with the increase of incomes and capital. In the developed countries the demand for labour exceeds its supply and as a result there is rise of payment. But in the under-developed countries wages are not higher than the living minimum. For the first time capital was divided into fixed and working. The reason for such division was the idea that fixed capital brings profit without changing its owners, while working capital gives profit due to changes its forms.

Adam Smith divided society into 3 basic classes: land owners, capitalists and hired workers. The property of land owners is the main mean of production – land and they get income in the form of rent. Capitalists hire workers and get income in the form of profit, while being the owners of other means of productions (raw materials, equipment, etc.). And, finally, the most numerous and the poorest class of hired workers having no property and selling their labour for wages. But besides these basic classes Adam Smith pointed out that real community consisted of some other groups. Profits of 3 basic classes are *primary* while incomes of the rest of the groups are *secondary*, being the result of the redistribution process.

As to the well-known Ukrainian scientist in economics S. Zlupko, the ideas by Adam Smith and the great Ukrainian philosopher G. Skovoroda have much in common. Both were for the freedom of actions and similarly treated some social and economic problems. For instance, it concerns public division of labour [2].

The historical importance of Adam Smith for the economic science is very prominent, because at the very first steps in economic development he managed to create the general theory of capitalist mode of production. Numerous ideas of this “classic of bourgeois political economy” are actual even nowadays, being used in all types of economic systems. He set the system of accumulated economic knowledge and determined the scope of political economy. The works of this great scientist represent one of the summits in public thought in XVIII century. He is the real “father” of political economy.

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